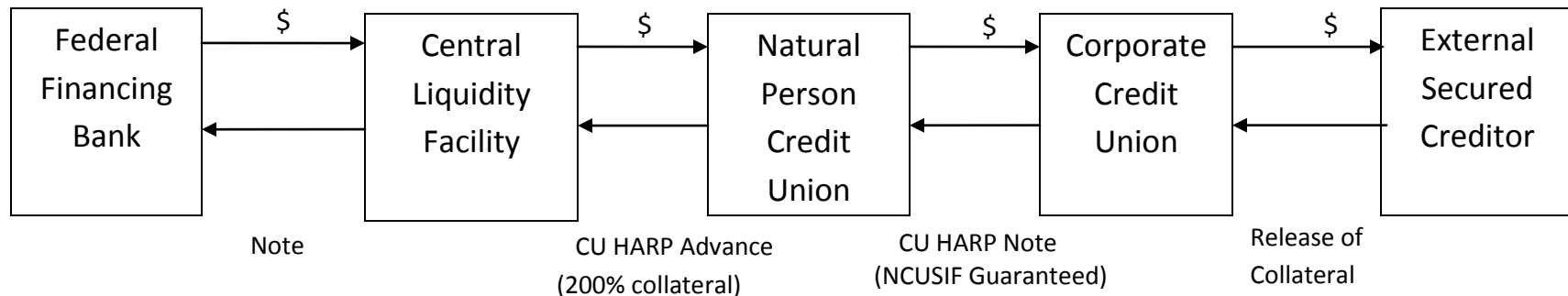


Credit Union Homeowners Affordability Relief Program (CU HARP) December 2008

Description: Under this program, credit unions borrow from the Central Liquidity Facility (CLF) and invest the funds in corporate credit union debt guaranteed by the National Credit Union Share Insurance Fund (NCUSIF).

Objectives:

1. The natural person credit union will provide struggling homeowners with a break on their mortgage interest rate.
2. The corporate credit unions will pay a bonus coupon to natural person credit unions to fund a portion of the homeowner's rate break.
3. The corporate credit unions will pay down borrowings external to the system, freeing collateral for future contingent liquidity needs.



Program Steps:

1. CLF announces corporate credit union HARP Note offering on CLF webpage: <http://www.ncua.gov/CLF/index.htm> . The HARP Notes will be guaranteed by the National Credit Union Share Insurance Fund (NCUSIF).
2. Natural person credit unions subscribe to HARP Note offerings through CLF Agent network of corporate credit unions and simultaneously request CU HARP Advance from CLF.
3. CLF announces awards and requests funding from the Treasury Department's Federal Financing Bank (FFB).
4. CLF delivers funds to natural person credit unions that in turn invest in corporate credit union HARP Notes.
5. Natural person credit unions begin modifying troubled homeowner mortgages.
6. Corporate credit unions pay down external secured borrowings with HARP Note proceeds.

Program benefit to natural person credit union:

1. The CLF charges the credit union interest on the CU HARP Advance. The CU HARP Advance Rate is the greater of the Primary Credit Rate on advances at a Federal Reserve Bank or the rate on a one year Treasury security plus 1/8th of one percent.
2. The credit union earns interest on the CU HARP Note. The CU HARP Note Rate is equal to the CU HARP Advance Rate plus a bonus coupon of up to one percent.
3. The credit union modifies mortgages and benefits by avoiding foreclosure costs.

Program benefit to struggling homeowner:

1. Reduction in monthly mortgage payment through the credit union's reduction of the mortgage rate for two years.
2. Agreement not to draw on a junior mortgage lien while receiving the modified mortgage rate.

Program benefit to corporate credit union:

1. Corporate credit union receives a stable source of two year funds.
2. Corporate credit union retires external secured borrowings. This frees pledged collateral.
3. The corporate credit unions' unencumbered collateral frees up capacity for future borrowing needs.

Permissibility to purchase HARP Notes

Federal credit unions may invest in CU HARP Notes. CU HARP Notes are fully guaranteed by the National Credit Union Share Insurance Fund. A federal credit union has the authority to invest its funds in obligations or securities fully guaranteed as to principal and interest by the United States of America. 12 U.S.C 1757(7)(B).

Central Liquidity Facility

The CLF is a mixed-ownership government corporation under Title III of the Federal Credit Union Act. CLF serves to improve general financial stability by meeting the liquidity needs of credit unions and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy. 12 U.S.C. 1795.